



## Irish Life Weekly Investment Bulletin

The week that was – WEEK 38 2018 (ending 21/09/2018)

**“If you're not nervous, it means you don't care.” – Tiger Woods**

**Irish consumer spending up 2.2% y-o-y in August** – Visa's Irish Consumer Spending Index, produced by IHS Markit, which measures expenditure across all payment types (cash, cheques and electronic payments), shows that household spending rose 2.2% year-on-year in August, the eighteenth consecutive monthly rise.

**Brexit talks at impasse as EU dismisses Chequers plan** – At the informal summit in Salzburg of European Union leaders and Theresa May, European Council president Donald Tusk dismissed the UK prime minister's Chequers plan for economic cooperation, saying that the proposal would undermine the common market.

**Global stock market up 1.4% on the week** – The MSCI AC World TR Index showed a 1.38% return from 14th September to 21<sup>st</sup> September, driven by new record highs in the U.S. stock market and U.S. economic strength. The Vix (CBOE Volatility Index) closed the week at 11.68, down from 12.07 on 14th September.

**Markets take escalation of U.S./China trade row in their stride** – Despite the U.S. declaring additional tariffs on \$200 billion worth of Chinese goods (and China retaliating afterwards), markets rose the following day probably showing some relief that the rate will only be 10% through the end of 2018 before rising to 25%.

**UK inflation in August of 2.7% beats expectations** – The Office for National Statistics reported that annual inflation in August rose to 2.7% from 2.5% in July compared to the Bloomberg economist survey forecast of 2.4% and its highest level since February. Recreational goods, transport and clothing drove the price rise.

**Abe easily wins third term as LDP party leader in Japan** – Prime Minister Shinzo Abe was resoundingly re-elected as the leader of the ruling Liberal Democratic Party, beating former defense minister Shigeru Ishiba by 553 votes to 254. This means Abe will potentially become the longest-serving premier in Japan's history.

**The Story of the week:** Twelve music students at a college in Seoul, South Korea are being accused of bingeing on pizza and hamburgers five times a day to avoid military service by deliberately gaining excess weight. All able-bodied men in the country must serve two years in the military before they turn 28 and must pass a fitness exam before enlisting. The Tottenham Hotspur player Son Heung-min recently did something slightly different and more praiseworthy to get military service exemption - by helping South Korea to win the Asian Games football final.

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# Index Performances and Market Data\*

| <b>Equity and Bond Markets % (in Local Currency)</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018 YTD (to 21/09)</b> |
|--|-------------|-------------|-------------|-------------|-------------|----------------------------|
| MSCI AC World (Gross TR)                             | 26.2        | 9.9         | 1.8         | 9.7         | 20.4        | 6.3                        |
| ISEQ Overall Return                                  | 35.8        | 16.8        | 33.6        | -2.7        | 9.7         | -3.8                       |
| FTSE 100 TR  | 18.7        | 0.7         | -1.3        | 19.1        | 11.8        | 0.8                        |
| Euro Stoxx 50 TR                                     | 21.5        | 4.0         | 6.4         | 3.7         | 9.2         | 0.2                        |
| S&P 500 TR   | 32.4        | 13.7        | 1.4         | 12.0        | 21.8        | 11.2                       |
| Nasdaq Composite                                     | 38.3        | 13.4        | 5.7         | 7.5         | 28.2        | 15.7                       |
| Nikkei 225   | 56.7        | 7.1         | 9.1         | 0.4         | 19.1        | 4.8                        |
| MSCI Emerging Markets                                | 0.9         | 2.6         | -8.0        | 7.1         | 27.8        | -4.1                       |
| Eurozone Government Bonds 1-5 yr                     | 2.1         | 3.4         | 1.0         | 0.9         | -0.2        | -0.5                       |
| <b>Sovereign 10yr Bond Yields (%)</b>                | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018 YTD</b>            |
| U.S.   | 3.0         | 2.2         | 2.2         | 2.4         | 2.4         | 3.1                        |
| German   | 1.9         | 0.5         | 0.6         | 0.2         | 0.4         | 0.5                        |
| UK   | 3.0         | 1.9         | 1.9         | 1.2         | 1.2         | 1.6                        |
| Japan  | 0.7         | 0.3         | 0.2         | 0.0         | 0.0         | 0.1                        |
| Ireland  | 3.4         | 1.3         | 1.1         | 0.7         | 0.7         | 1.0                        |
| Italy  | 4.1         | 2.1         | 1.6         | 1.8         | 2.0         | 2.8                        |
| Greece   | 8.2         | 9.6         | 7.9         | 7.1         | 4.1         | 4.0                        |
| Portugal   | 6.1         | 2.7         | 2.5         | 3.8         | 1.9         | 1.8                        |
| Spain  | 4.1         | 1.6         | 1.7         | 1.4         | 1.6         | 1.5                        |
| <b>Central Bank Rates (%)</b>                        | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018 YTD</b>            |
| ECB  | 0.25        | 0.05        | 0.05        | 0.0         | 0.0         | 0.0                        |
| Bank of England                                      | 0.25        | 0.50        | 0.50        | 0.25        | 0.50        | 0.75                       |
| U.S. Federal Reserve                                 | 0.25        | 0.25        | 0.50        | 0.75        | 1.50        | 2.0                        |
| <b>Foreign Exchange Rates</b>                        | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018 YTD</b>            |
| Euro/Dollar (€/\$)                                   | 1.37        | 1.21        | 1.09        | 1.04        | 1.20        | 1.17                       |
| Euro/Sterling (€/£)                                  | 0.83        | 0.78        | 0.75        | 0.84        | 0.89        | 0.90                       |
| Sterling/Dollar (£/\$)                               | 1.65        | 1.56        | 1.46        | 1.24        | 1.36        | 1.31                       |
| <b>IPD All Property Return % (in Local Currency)</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018 YTD</b>            |
| Ireland  | 12.3        | 36.1        | 25.1        | 12.6        | 8.1%        | 5.5% (To end of Q2)        |
| U.K.   | 10.9        | 17.9        | 13.3        | 3.6         | 10.3%       | 3.7% (To end of Q2)        |
| U.S.   | 11.6        | 11.5        | 12.5        | 7.7         | 7.1%        | 3.7% (To end of Q2)        |

\*Past performance is not a reliable guide to future performance and may fall as well as rise.